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Message Text

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13
ACTION AGR-20

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01 OMB-01

SWF-02 STR-08 DRC-01 (ISO) W
---------- 087044
R 270530Z APR 74
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 1123
INFO AMEMBASSY DACCA
AMEMBASSY ISLAMABAD
AMEMBASSY KATHMANDU
AMEMBASSY OTTAWA
AMEMBASSY CANBERRA
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 5629

E.O. 11652: N/A
TAGS: EAGR, IN
SUBJECT: INDIAN FOODGRAIN SITUATION

REF: NEW DELHI 4898

BEGIN SUMMARY: THERE SEEMS TO HAVE BEEN A VERY SLIGHT IMPORVE-
MENT IN FOODGRAIN SUPPLIES AT RETAIL OUTLETS IN THE PAST
FEW DAYS. HOWEVER, MARKET DELIVERIES OF NEW CRPO WHEAT AND
PURCHASES BY PRIVATE AND GOVERNMENT AGENCIES ARE MUCH BELOW
DELIVERIES AND PURCHASES ONE YEAR AGO AT THE SAME TIME. MINSITER
OF STATE FOR AGRICULTURE, A.P. SHINDE, ANNOUNCED IN PARLIAMENT
APRIL 24 THAT INDIA IS PURCHASING WHEAT FROM AUSTRALIA,
CANADA, AND THE U.S. HE DID NOT, HOWEVER, INDICATE QUANTITIES
OR PRICES BEING PAID. HE ALSO ANNOUNCED THAT AS OF APRIL1,
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GOVERNMENT FOODGRAIN STOCKS TOTALED 2.87 MILLION METRIC TONS.

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END SUMMARY.

1. THERE APPEARS TO HAVE BEEN A SLIGHT IMPROVEMENT IN THE OVERALL FOODGRAIN SUPPLY SITUATION DURING THE PAST TWO WEEKS. THE SPRING GRAIN HARVEST IS NOW IN FULL SWING. NEW CROP GRAIN IS AVAILABLE IN TETAIL OUTLETS IN CENTRAL AND WESTERN INDIA, INCLUDING THE BOMBAY AREA. IN THE NORTHERN WHEAT BELT OF PUNJAB, HARYANA, AND U.P., WHEAT DELIVERIES TO THE MARKETS AND SALES TO PRIVATE GRAIN MERCHANTS AND GOVERNMENT PROCUREMENT AGENCIES ARE SURPRISINGLY SMALL AND MUCH LESS THAN LAST YEAR AT THE SAME TIME. FOR EXAMPLE, TOTAL GOVERNMENT PROCUREMENT OF WHEAT AS OF APRIL 22 WAS ABOUT 13,500 TONS COMPARED TO ABOUT 92,000 TONS ONE YEAR AGO AT THE SAME TIME. WHEAT ARRIVALS IN GRAIN MARKETS UP TO APRIL 22 TOTALED ONLY 19,000
TONS.

2. ACCORDING TO GOVERNMENT AND PRIVATE TRADE OFFICIALS, THERE ARE TWO MAJOR REASONS FOR THE SLOW DELIVERY OF WHEAT TO THE MARKETS. ONE IS A COMBINATION OF ADMINISTRATIVE PROBLEMS INCLUDING DELAYS IN ISSUING OPERATING LICENSES TO PRIVATE GRAIN MERCHANTS, DELAYS IN ISSUING PERMITS FOR OUT-OF-STATE SHIPMENTS AND CEILINGS ON THE QUANTITY OF GRAIN PRIVATE TRADERS CAN HOLD OR SELL TO ONE BUYER AT ANY ONE TIME. IN MOST STATES, THE CEILING ON STOCKS OF WHEAT A PRIVATE GRAIN MERCHANT CAN HOLD AT ANY ONE TIME VARIES FROM 200-250 METRIC TONS. PRIVATE GRAIN MERCHANTS ARE PERMITTED TO OPERATE ONLY IN REGULATED MARKETS AND OTHER DESIGNATED CENTERS. THEY CANNOT MAKE DIRECT PURCHASES FROM FARMERS IN THE VILLAGES. ALSO, THEY CANNOT OBTAIN PERMITS FOR MOVING GRAIN ACROSS STATE BOUNDARIES UNLESS THEY HAVE DELIVERED 50 PERCENT OF THEIR PURCHASES TO GOVERNMENT AGENICIS. REPRESENTATIVES OF THE FEDERATION OF ALL INDIA FOODGRAIN DEALERS ASSOCIATION AND OFFICIALS OF THE CENTRAL AND SOME STATE GEVERNMENTS ARE MEETING IN DELHI ON APRIL 24-25 TO SIMPLIFY ADMINISTRATIVE PROCEDURES. THE SECOND MAJOR REASON FOR SLOW WHEAT DELIVERIES IS THAT THE LARGER FARMERS ARE HOLDING BACK THEIR WHEAT IN THE HOPE OF RECEIVING HIGHER PRICES AT A LATER DATE.

3. THE OFFICIAL ALL INDIA WHOLESALE PRICE INDEX OF FOODGRAINS STOOD AT 336.2 DURING THE WEEK ENDING MARCH 30,1974 UP 3.7 PERCENT AND 27.9 PERCENT RESPECTIVELY, COMPARED TO THE INDEX
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DURING THE WEEK OF FEBRUARY 23,1974 AND THE CORRESPONDING WEEK OF MARCH 1973. THE WHOLESALE WHEAT PRICE INDEX DURING THE LAST WEEK OF MARCH 1974 AVERAGED 249.5, FRACTIONALLY LOWER THAN IN THE WEEKENDING FRBRUARY
23,1974, BUT 7.5 PERCENT HIGHER THAN IN THE LAST WEEK OF MARCH 1973. REPORTS IN THE DAILY PRESS INDICATE THAT THERE HAS BEEN A SMALL TO MODERATE DECLINE IN WHEAT PRICES IN SEVERAL AREAS DURING APRIL. FREE MARKET PRICES OF WHEAT ON APRIL 22,1974, GENERALLY RANGED

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FROM RS. 105 TO RS. 120 PER QUINTAL IN PUNJAB AND HARYANA,
FROM RS. 115 TO RS. 180 PER QUINTAL IN UTTAR PRADESH AND
RAJASTHAN, AND FROM RS. 155 TO RS. 172 PER QUINTAL IN GUJARAT.

4. EFFECTIVE APRIL 15, THE ISSUE PRICE OF WHEAT FROM CENTRAL
STOCKS FOR PUBLIC DISTRIBUTION WAS INCREASED FROM A RANGE OF
RS. 90 TO 96 PER QUINTAL FOR DIFFERENT VARIETIES TO A UNIFORM
PRICE OF RS. 125 PER QUINTAL FOR ALL VARIEITES. SIMULTANEOUSLY,
THE RETAIL PRICES OF WHEAT AT FAIR PRICE SHOPS WERE INCREASED
FROM A GANGE OF RS. 0.93 TO 1.03 PER KG. IN DIFFERENT PARTS OF
THE COUNTRY TO A RANGE OF RS. 1.28 TO 1.39 PER KG. THE GOI
HAS NOT YET ANNOUNCED A CEILING PRICE ON FREE MARKET SLAES
BY PRIVATE TRADERS. THE FEELING IN GOVERNMENT CIRCLES IS
THAT IF A CEILING PRICE IS ESTABLISHED NOW, THE TRADERS WILL
OPERATE AT THE CEILING PRICE EVEN THOUGH PRICES PAID TO FARMERS
MAY DECLINE SHARPLY. ALSO, OFFICIALS REALIZE THAT DURING PERIODS
OF EXTREME FOOD SHORTAGES, THEY CANNOT ENFORCE PRICE CEILINGS.
INDICATIONS ARE THAT IF CEILIN PRICES ARE ESTABLISHED, THEY,
WILL NOT BE UNIFORM IN ALL STATES BECAUSE OF VERYING TRANS-
PORTATION COSTS.

5. GOI MINISTER OF STATE FOR AGRICULTURE, A.P. SHINDE, INFORMED
PARLIAMENT ON APRIL 24, THAT INDIA IS CURRENTLY PURCHASING
"SOME QUANTITIES OF WHEAT FROM AUSTRALIA, CANADA, AND THE
UNITED STATES," BUT HE DID NOT DIVULGE EITHER THE QUANTITIES
OF SUCH PRUCHASES OR THE PRICES AT WHICH THE GOVERNMENT OF INDIA
MADE THESE PURCHASES.
HE INCICATED THAT THE GOI IS INTERESTED IN ENTERING INTO A LONG-
TERM ARRANGEMENT WITH AUSTRALIA FOR THE IMPORTATION OF WHEAT,
BUT THAT AUSTRALIA HAS EXPRESSED ITS INABLLITY TO MAKE COMMITMENT
FOR SUCH AN ARRANGEMENT PRIOR TO THE NEXT WHEAT HARVEST.

6. MINISTER SHINDE ALSO ANNOUNCED THAT FOODGRAIN STOCKS HELD BY
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CENTRAL AND STATE GOVERNMENTS ON APRIL 1,1974 TOTALED 2.87
MILLION METRIC TONS, CONSISO FFR 2.02 MILLION TONS OF RICE
AND 846,000 TONS OF WHEAT.

7. LEADERS OF RAILWAY EMPLOYEES UNIONS ARE THREATENING A NOTION-
WIED STRIKE EFFECTIVE MAY 8, IF THEIR DEMANDS FOR BETTER WORKING
CONDITIONS INCLUDING PAYMENT OF BONUS ARE NOT MET IN THE MEANTIME.
WITH VIRTUALLY NO MARGINS OF SAFETY IN THE FOODGRAIN DISTRIBUTION
SYSTEM, A NOTIONAL RAILWAY STRIKE WOULD QUICKLY AND SERIOUSLY
DISRUPT FOODGRAIN DISTRIBUTION THROUGHOUT THE COUNTRY.
MOYNIHAN

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Message Attributes

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